

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

WATER MAIN CONSTRUCTION BY CUMBERLAND)
FALLS HIGHWAY WATER DISTRICT WITH FUNDS) CASE NO. 9708
APPROVED IN CASE NO. 9451)

O R D E R

On May 14, 1986, an Order in Case No. 9451¹ granted a certificate of public convenience and necessity to the Cumberland Falls Highway Water District ("Falls District"). Said certificate was for construction of a \$903,000 waterworks improvement project, the refinancing of existing debt in the amount of \$298,000, adjustments to water service rates and approval of a \$1,013,000 plan of financing composed of \$963,000 Farmers Home Administration ("FmHA") funds (\$403,000 loan and \$560,000 grant), a \$5,000 grant from the Cumberland Valley Area Development District and \$45,000 from applicants for water service.

The Commission's May 14, 1986, Order mentioned the \$207,035 underrun from bids and stipulated that Falls District obtain approval of the Commission prior to the performance of any construction not certificated by that Order. Further, the Order

¹ Application of Cumberland Falls Highway Water District for (1) a certificate of public convenience and necessity to construct extensions as described; (2) authority to borrow approximately \$403,000 from Farmers Home Administration; (3) authority to refund existing FmHA indebtedness; (4) a rate increase effective November 20, 1985.

. stated that a copy of the advertisement package for Falls District's additional construction should be filed by October 1, 1986. The package was filed September 29, 1986. Subsequently, FmHA's requirement for another environmental impact study resulted in the delay of advertisement for construction bids until October, 1987. Bids were received November 10, 1987, with a bid hold period that expires January 9, 1988.

Plans and specifications for the proposed construction were prepared by Vaughn and Melton, consulting engineers of Middlesboro, Kentucky, ("Engineer") and have been approved by the Division of Water of the Natural Resources and Environmental Protection Cabinet.

FINDINGS AND ORDERS

The Commission, after consideration of the application and evidence of record and being advised, is of the opinion and finds that:

1. Public convenience and necessity require that the construction proposed in the application and record be performed and that a certificate of public convenience and necessity be granted.

2. The proposed project includes the construction of about 33,000 feet of distribution system pipeline (21,600 feet of 6-inch and 11,400 feet of 3-inch), 36 new service connections, one new booster-pumping station, and other appurtenances.

3. The low bids after deletion of costs for construction on the old Ben Road totaled \$147,568. The funding required for construction on the other five roads will be approximately

. \$198,123 including engineering design fees, legal fees, resident inspection, and a \$16,114 construction contingency. This is the approximate balance remaining from FmHA grant funds and should cover costs of the construction approved herein.

4. Any deviations from the construction herein approved which could adversely affect service to any customer should be done only with the prior approval of this Commission.

5. Falls District should furnish duly verified documentation of the total costs of this construction including all capitalized costs (engineering, legal, administrative, etc.) within 60 days of the date that construction is substantially completed. Said costs should be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for Water Utilities prescribed by this Commission.

6. Falls District's contract with its Engineer should require full-time resident inspection under the general supervision of a professional engineer with a Kentucky registration in civil or mechanical engineering to insure that the construction work is done in accordance with the contract plans and specifications and in conformance with the best practices of the construction trades involved in the project.

7. Falls District should require the Engineer to furnish a copy of the "as-built" drawings and a signed statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of the date of substantial completion of this construction.

8. A 5/8-inch x 3/4-inch meter should be the standard customer service meter for all new customers and should be installed at all points of service unless the customer provides sufficient justification for the installation of a larger meter.

9. The financing for the proposed construction by Falls District is for lawful objects within its corporate purposes, is necessary and appropriate for and consistent with the proper performance of its services to the public and will not impair its ability to perform these services, is reasonably necessary and appropriate for such purposes and should, therefore, be approved.

IT IS THEREFORE ORDERED that:

1. Falls District be and it hereby is granted a certificate of public convenience and necessity to proceed with the proposed construction as set forth in the plans and specifications of record herein.

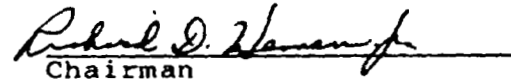
2. Falls District's financing consisting of a grant fund balance of \$198,123 from its financing for the construction certificated in Case No. 9451 be and it hereby is approved.

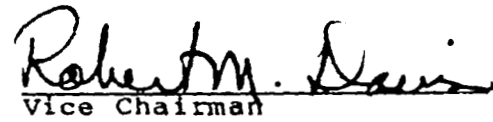
3. Falls District shall comply with all matters set out in Findings 4 through 8 herein as if the same were individually so ordered.

Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing authorized herein.

Done at Frankfort, Kentucky, this 18th day of December, 1987.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director